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CROWDINVESTING AS VIABLE ALTERNATIVE FORM OF ENTREPRENEURIAL FINANCE

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Entrepreneurs who lack the financial resources to fund their business activities often face severe obstacles to raise external capital from investors. But, in recent years, crowdfunding became an additional means for entrepreneurs to cover their financial needs. What is more, most specialists in the field of finance pay a lot of attention to the active development of financing business projects through crowdinvesting.

The mechanism of crowdinvesting is based on functioning of Internet platforms where different companies can get necessary funds for their business. Subjects of small and medium-sized entrepreneurship are the basis and dynamic of any economy of highly developed countries. The main feature of the entities of this category is the mobility thanks to which a smooth operation of negative processes in the sphere of employment as well as the creation of new market niches and points of economic growth become possible. On the other hand, subjects of small and medium-sized entrepreneurship are the most vulnerable ones during an economic crisis or an unstable political situation that is why the question of organizing their finance becomes actual including the question of organizing the process of their financing, too. Consequently, it is necessary to find alternative sources of their financing. Therefore, the key solution to this problem is the usage of such “crowd” forms as crowdfunding, crowdinvesting and crowdlending [1, p. 5–6].

Crowdinvesting denotes the Internet-based investment in startup companies by the crowd with the intention to obtain some residual claim on future cash flows of a firm. While in the past transaction costs made it unlikely that so small amounts would be offered to the general public, the Internet now provides opportunities to accomplish just this. As a consequence, crowdinvesting has become a viable alternative form of entrepreneurial finance, even for firms that are excluded from venture capital, angel finance, government programs or friends and family.

One of the benefits of crowdfunding is that the entrepreneur obtains information on potential market demand under crowdfunding if the interest of crowdfunders is correlated with market demand. However, crowdfunding can generate higher operating risk, since the project may fail if the entrepreneur does not estimate capital needs well. So, firms that rely on crowdfunding may eventually exhibit different characteristics due to their funding source and thus evolve differently in the future.

Most specialists in the field of finance define such forms of crowdfunding as royalty, public crediting and equity crowdfunding.

The main feature of the royalty model is that instead of bonuses in the form of units of production, mentioning the investors' names or other rewards of this kind these investors are paid a part of the profit or income from the project which they invested in. The most widely known international platforms based on this model are "Look at my game" and "Sonicangel".

The equity crowdfunding is one of the advanced forms of crowdfunding and crowdfunding in general since the investor receives a part of property, company shares or other assets of the organization as remuneration. This type of collective investments is the main characteristic of such world platforms as "Crowdcube" and "Seedrs".

The crowdlending, or public crediting, allows people and companies to borrow from individuals, avoiding intermediaries. What is more, interest paid on these credits is much lower than the bank one, and income for the creditor is a lot higher than on deposits. Three platforms of this type can be found in the world arena, such as "Mosaic", "LendSquare" and "Funding Circle" [2, p. 764–766].

The most well-established crowdfunding and crowdfunding platform in the USA is the "Kickstarter" Internet platform. It is a platform used for attracting financial resources for the realization of creative startups, scientific and production projects in accordance with the scheme of crowdfunding and crowdfunding. As from 2009 the amount of investments on this platform came up with tremendously rapid progress, sometimes even exceeding the previous point practically in 2–3 times, for example. Meanwhile, the dynamics of the projects which were and were not funded during 2014–2016 were unstable. As the founders of this crowdfunding platform assume this situation involves gradual lowering interest to such projects because of their unreliability or high levels of risk.

One of the most popular examples of crowdfunding platforms organized in the Republic of Belarus is "Talakosht" Internet platform. As from 2015, 89 projects in various spheres have already been realized via this crowdfunding platform. The average sum of donations on this crowdfunding platform accounted for \$23–25, at the same time \$30 was invested on social projects [3].

It is necessary to underline that in spite of active growth of collective investments all over the world, and in the Republic of Belarus in particular, investors are cautious to this type of investments, even if they are rather attractive. Firstly, crowdfunding has plenty of factors of risk, which are to be determined while investing in crowd-projects, that's why there are a lot of examples of crowdfunding platforms closed because of their unprofitability. Secondly, if required sum is not gathered, these projects won't be realized. Thirdly, some entrepreneurs can use illegal financial pyramids as startups. Finally, legislation may not be adapted for schemes of crowdfunding.

On the other hand, using crowdfunding entrepreneurs find an excellent opportunity for realization of their startups; investors, in their turn, get capability to derive a profit from such innovations and consumer market acquires new types of goods and services. Some other essential advantages of collective investments include project investing, even in small amounts; an opportunity to invest in several projects at once as well as an opportunity to choose the projects which are more attractive for an investor.

However, there are some research questions that naturally occur while discussing these viable forms of entrepreneurial finance. First of all, very little is still known about crowdfunding, but even less about crowdfunding. The main reason is clearly the lack of data. An immediate research question worthwhile exploring concerns the risk and expected return of crowdfunding for the crowd. Relatedly, the question is what types of firms are created by crowdfunders. It is quite difficult to find significant differences between public and investors' motivation. What is more, it is known that crowdfunding is used for financing startups and small business companies but it is rather difficult to determine if crowdfunding can become the possibility for financing long-standing medium-sized entrepreneurships. For crowdfunding, these issues still remain largely unresolved. Finally, an open question is to which extent crowdfunding facilitates and makes more difficult follow-up funding. Crowdfunders generally have very little control rights in the startups; however, the fact that they are many may create tensions and ultimately free-rider or hold-up problems [4; p. 16–17].

Thus, it must be admitted that the investors should have an opportunity to supervise their project implementation and to foresee the results of these transactions. The solution to this problem is the

creation of the Internet resources with free assessment to the information of that kind. At the same time investors should be convinced that their money will be invested in crowd projects instead of being used illegally, so the problems of crowdfunding should be taken into account in terms of legislation. In addition, in order to invest in large projects of world corporations crowdfunding should show its efficiency in small startups, which don't require huge investments. In this case, one of the ways of reaching the goals could be the promotion of such ideas in social networks.

In conclusion, among many other factors, an entrepreneurial firm often requires a revolutionary idea as well as sufficient capital to turn the mere idea into a sellable product or service. To raise funds for an innovative venture, the entrepreneur has to disclose the idea to an investor. But, in any case, no investor is willing to provide funds for an entrepreneurial firm without first determining its value.

Literature

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